



SPSA Update
Presented to City Council
March 22, 2016

Last Presentation October 27, 2015

- Discussed 3 bids plus landfill option
- Summarized Draft Use & Support Agreement
- Discussed Good Neighbor/Host Agreement Negotiations with Suffolk
- Provided a timeline for Next Steps



Since Then -

- Finalized Use & Support Agreement
- Finalized negotiations with 3 bidders
- Worked with Suffolk on Host Agreement terms
- Recycling market and fuel prices have fallen dramatically

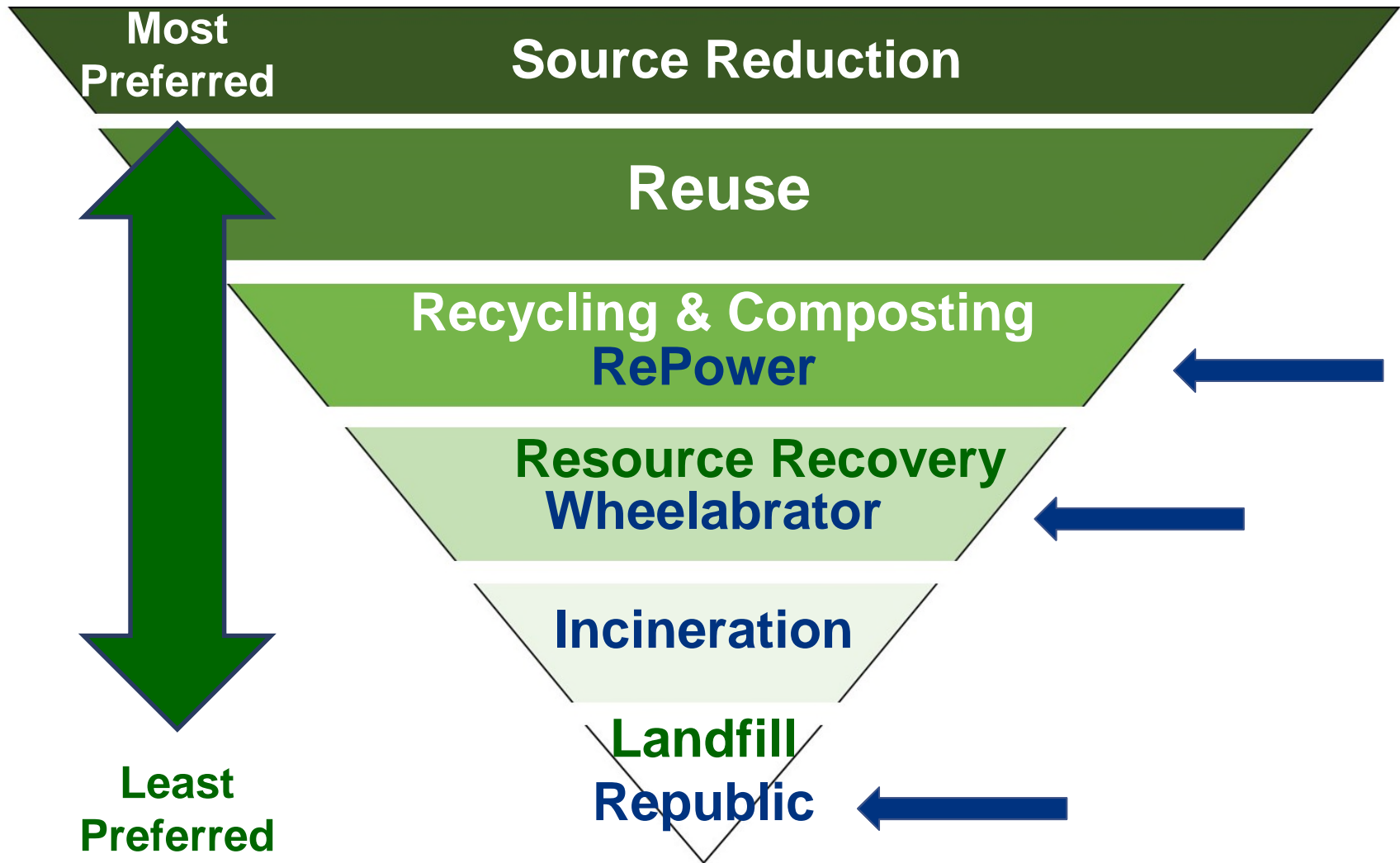
Where are we now?

- Selected a vendor
- Recommending signing Use & Support Agreement
- Discussions with Suffolk on Good Neighbor/Host Agreement ongoing

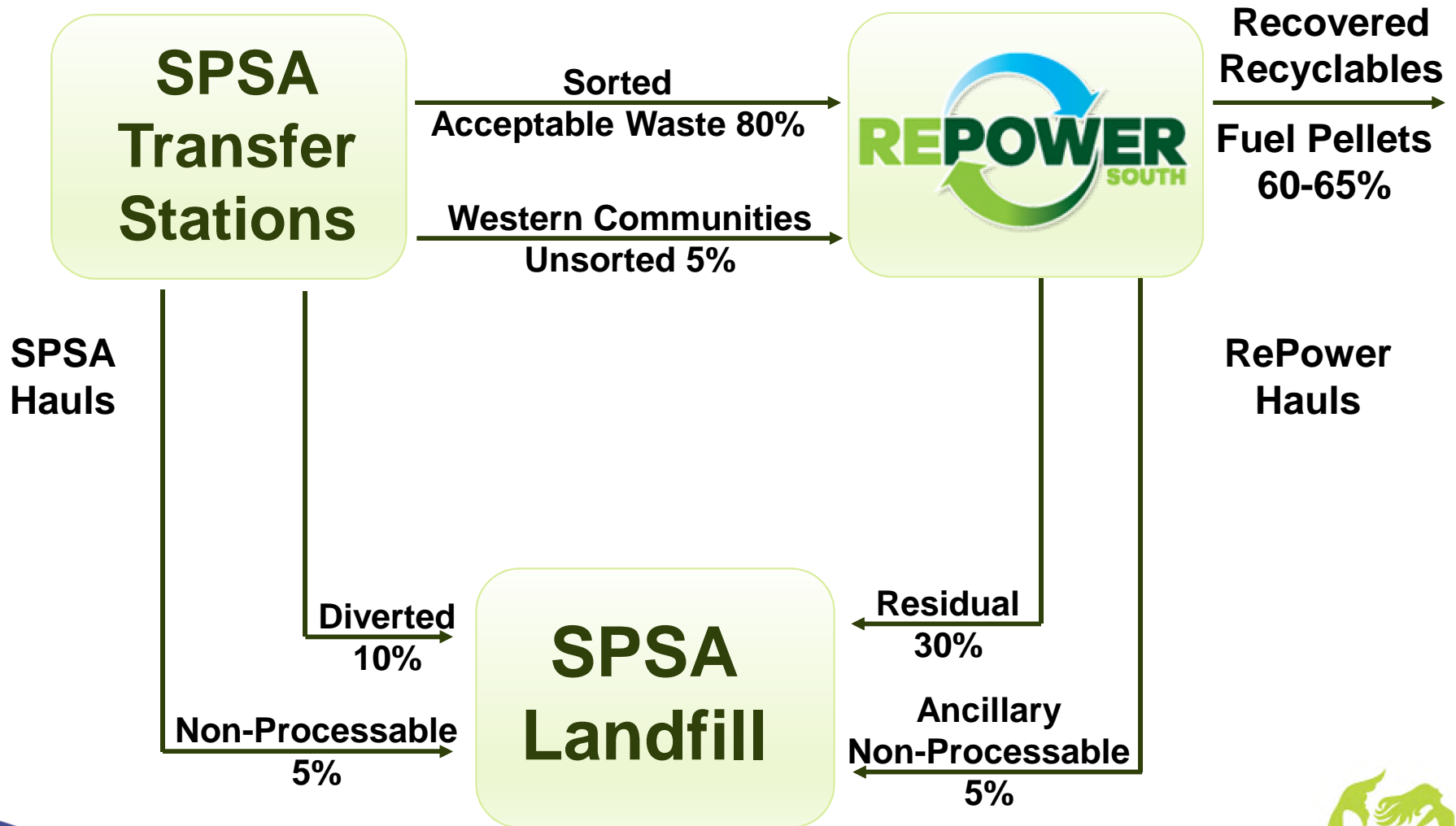
Bid Prices – System-wide Cost to Members

	\$/Ton	Suffolk Landfill Cells 5&6 Capacity Reached
RePower South	\$56.52	2044
Republic Services	\$72.72	2251
Wheelabrator	\$78.72	2251
Regional Landfill	\$57.37	2027

Waste Management Hierarchy



RePower South Process



RePower South Proposal

- Plant to be built in Chesapeake
- Designed to handle 350,000 tons/year
- Recovers 60-65% of Municipal Solid Waste (MSW) for recycling and biofuel pellets
- Requires construction of Portsmouth transfer station
- \$56.52/ton for 15-year contract term
- Unilateral 10-year contract extension option for SPSA
- Extends life of Cells 5 & 6 to 2044
- Cannot secure financing until SPSA signs Waste Supply and Services Agreement (WSSA)



Summary of Waste Supply and Services Agreement

- **Primary SPSA Obligations**
 - Deliver MSW to RePower Facility
 - Pay Disposal fees to RePower
 - Allow disposal of residual, diverted, and Non-Processable Waste (NPW) in SPSA landfill
- **Primary RePower Obligations**
 - Raise funds to construct and operate facility
 - Obtain “off-take” agreement for bio-fuel pellets
 - Obtain permits for facility
 - Complete construction and testing of facility
 - Accept, process, and dispose of SPSA MSW
 - Pay SPSA for use of landfill

RISK-MITIGATION STEPS

- Regular updates from RePower on financing, construction, permits, testing, etc.
- SPSA input on relevant RePower documents where appropriate to ensure SPSA rights are not impaired
- Deadlines for RePower completion of steps: financing; permits; construction; commencement
- SPSA termination rights if RePower fails to satisfy conditions in timely manner
- General termination rights for operational, payment and other defaults
- Up to \$1.5M in escrow as security for termination fees/SPSA damages
- “Delay liquidated damages” if plant is not open/operational on time (**February 21, 2018, may be extended**)
- Comprehensive insurance requirements
- Use of Regional Landfill for waste-disposal during construction, delays, etc.



Use & Support Agreement

- All members sign the same agreement
- Equal tipping fees for all members
- Term is 15 years, better pricing with 15 year term
- Members can exit before term expires if their share of remaining financial obligations is paid
- Automatic renewal unless 18-month prior notification given
- No exit fee if member exits at end of term
- No out-of-state, commercial, or disaster waste accepted

Use & Support Agreement-Cont'd.

- Residential Drop offs
 - Member localities will be charged a fee for residential drop-offs at transfer station
 - Residents will not be charged unless they are in commercial (rental) vehicle
 - No SPSA Household Hazardous Waste at Norfolk Transfer station – Pineridge drop-off site more cost effective
- Additional Waste Disposal Services
 - Accommodates SPSA performance of non-core waste disposal services like tire-shredding, etc.
 - Requires all costs to be covered
 - Must be available to all members at same cost
 - Must be approved by SPSA Board



Suffolk Good Neighbor/Host Agreement

- SPSA Executive Committee has been working with Suffolk since June 30, 2015
- SPSA currently placing MSW and ash from Wheelabrator in cells 5 and 6
- If all unprocessed MSW sent to landfill, Cells 5 & 6 filled by 2027
- To expand landfill capacity, Suffolk needs to:
 - Issue a Conditional Use Permit (CUP) for additional cells
 - Change their zoning ordinance to allow expansion
- Suffolk currently pays no tipping fee – savings of \$4.9M in 2015
- Will pay about \$2.5M in CY 2018

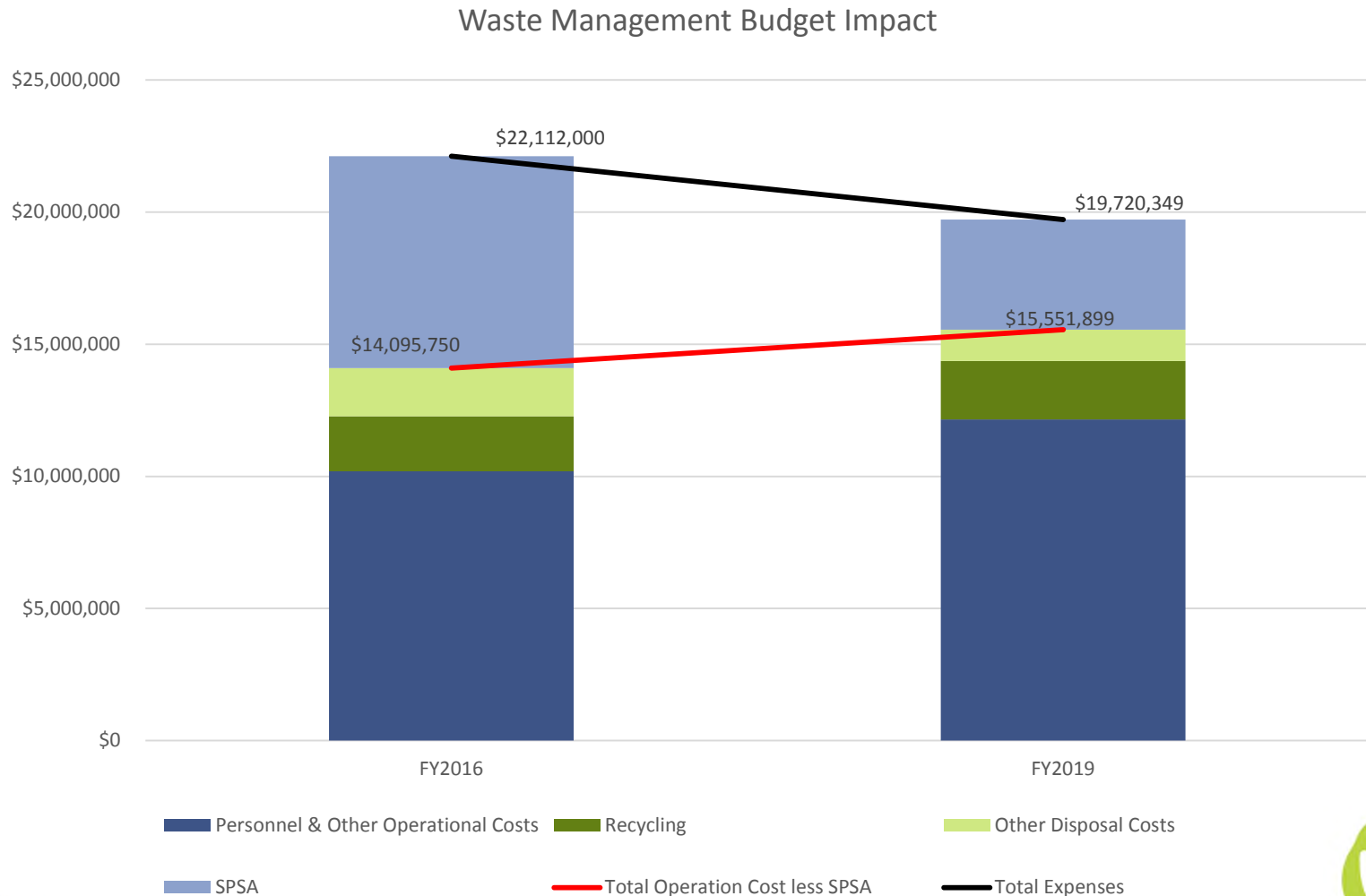


Host Fee

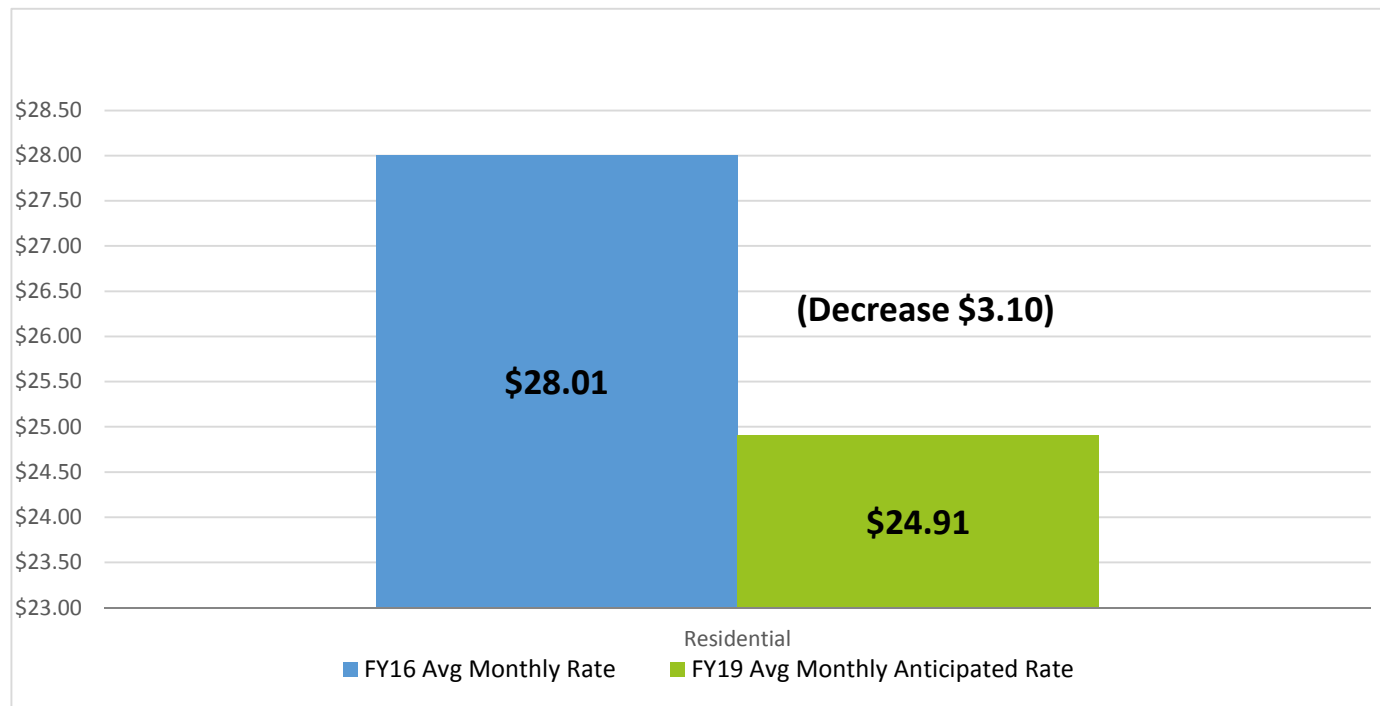
- Before Cell 7 use begins:
 - \$500K/year flat rate, adjusted 1-3% annually
- After Cell 7 use begins:
 - \$4/ton for MSW or post-processing residuals
 - \$500K/year minimum, \$1.5M maximum
 - No time limits on use of new cells
- Payments end when:
 - SPSA ceases disposal of solid waste in landfill, and
 - SPSA submits notice of intent to close landfill to DEQ



Waste Management Budget Impact



Waste Management Residential Average Monthly Rate Scenario FY2019



2016 Timeline

- **March 4**
 - SPSA Board issued “Notice of Intent to Award” to RePower South
 - SPSA Board approved “form” Use & Support Agreement
 - \$300,000 deposited by RePower South in escrow
- **April 12** – Ordinance for accepting Use & Support Agreement
- **April 27** – Localities sign Use & Support Agreements
- **May 15** – Expiration of WSSA if SPSA has not signed
- **December 27** – Deadline for RePower South to secure permits, funding, and Off-Take Agreement



2017-2018 Timeline

(Assume April 27, 2016 Signing Date)

- **February 28, 2017** – RePower South to begin construction
- **February 21, 2018** – RePower South to commence facility operations
- **November 27, 2018** – Absolute drop-dead date for RePower South facility operations to begin
- Schedule slips day-for-day until SPSA signs WSSA



QUESTIONS?

Impact of \$4/Ton Minimum Host Fee on Norfolk

ALL CURRENT SPSA MEMBERS REMAIN						
	FY 2015 Tonnage Actual	Tipping fee cost (Assume \$60/ton)	Host Fee Cost (Assume \$4/ton)	Total Disposal Fee	Minimum Host Fee Contribution (Assume \$500K)	
Chesapeake	92,072	\$ 5,524,320	\$ 368,288	\$ 5,892,608	\$ 134,289	
Franklin	2,524	\$ 151,440	\$ 10,096	\$ 161,536	\$ 3,681	
Isle of Wight	16,070	\$ 964,200	\$ 64,280	\$ 1,028,480	\$ 23,439	
Norfolk	62,296	\$ 3,737,760	\$ 249,184	\$ 3,986,944	\$ 90,860	
Portsmouth	28,439	\$ 1,706,340	\$ 113,756	\$ 1,820,096	\$ 41,479	
Southampton County	8,107	\$ 486,420	\$ 32,428	\$ 518,848	\$ 11,824	
Suffolk	43,337	\$ 2,600,220	\$ -	\$ 2,600,220	\$ -	
Virginia Beach	133,304	\$ 7,998,240	\$ 533,216	\$ 8,531,456	\$ 194,427	
	386,149		\$ 1,371,248		\$ 500,000	

Quantitative Comparison of All Alternatives

(Based on 15 Year Term in 2015 Dollars)

	Regional Landfill	RePower South	Republic	Wheelabrator
Expenses				
Transfer Stations	\$4,998,969	\$4,998,969	\$4,998,969	\$4,539,803
Transportation	\$5,453,798	\$4,733,798	\$9,649,922	\$4,600,292
Landfill	\$3,620,518	\$1,876,972	\$1,776,972	\$1,776,972
Administration	\$1,989,391	\$1,989,391	\$1,989,391	\$1,989,391
Net Disposal Cost other than Regional Landfill	\$0	\$5,774,041	\$8,835,000	\$16,612,500
Construct & Equip Portsmouth Transfer Station	\$555,556	\$195,464	\$21,429	\$0
Landfill Expansion: Includes constructing Cell 7 in 2 phases; Closure for Cells 5&6; & a Proposed Host Fee	\$4,893,750	\$1,625,000	\$0	\$0
Total Expenses	\$21,511,982	\$21,193,635	\$27,271,683	\$29,518,958
Total Tons to Landfill	375,000	136,825	15,000	15,000
Cell 5 & 6 Reach Capacity In	2027	2044	2251	2251
Municipal Waste Tons	375,000	375,000	375,000	375,000
System-Wide Cost	\$57.37	\$56.52	\$72.72	\$78.72

Note: Assumes SPSA uses \$5 million of \$16 million, originally set aside for landfill closure, to build a transfer station for Portsmouth and then SPSA would reimburse the landfill closure fund each year over 9 years under the landfill only scenario, or 25 years under the RePower scenario, or over 200 years under the Republic scenario.



RePower Proposal - 15 Year Term

- SPSA hauls MSW to RePower Facility
- Guaranteed minimum tonnage of 350,000 tons
- Residual waste hauled by 3rd party to Regional Landfill
- Disposal Fees (2015 dollars):
 - Gross Disposal Fee: \$24.05/ton
 - Guaranteed Revenue Share: (\$1.23/ton
 - Residual Waste Fee (up to 105,000 tons): (\$6.00/ton)
 - *Net Disposal Fee: \$16.82/ton

*Net disposal fee MAY be further reduced by additional offsetting credits such as revenue share if RePower achieves revenue in excess of established threshold and/or diverted waste disposed in Regional Landfill.

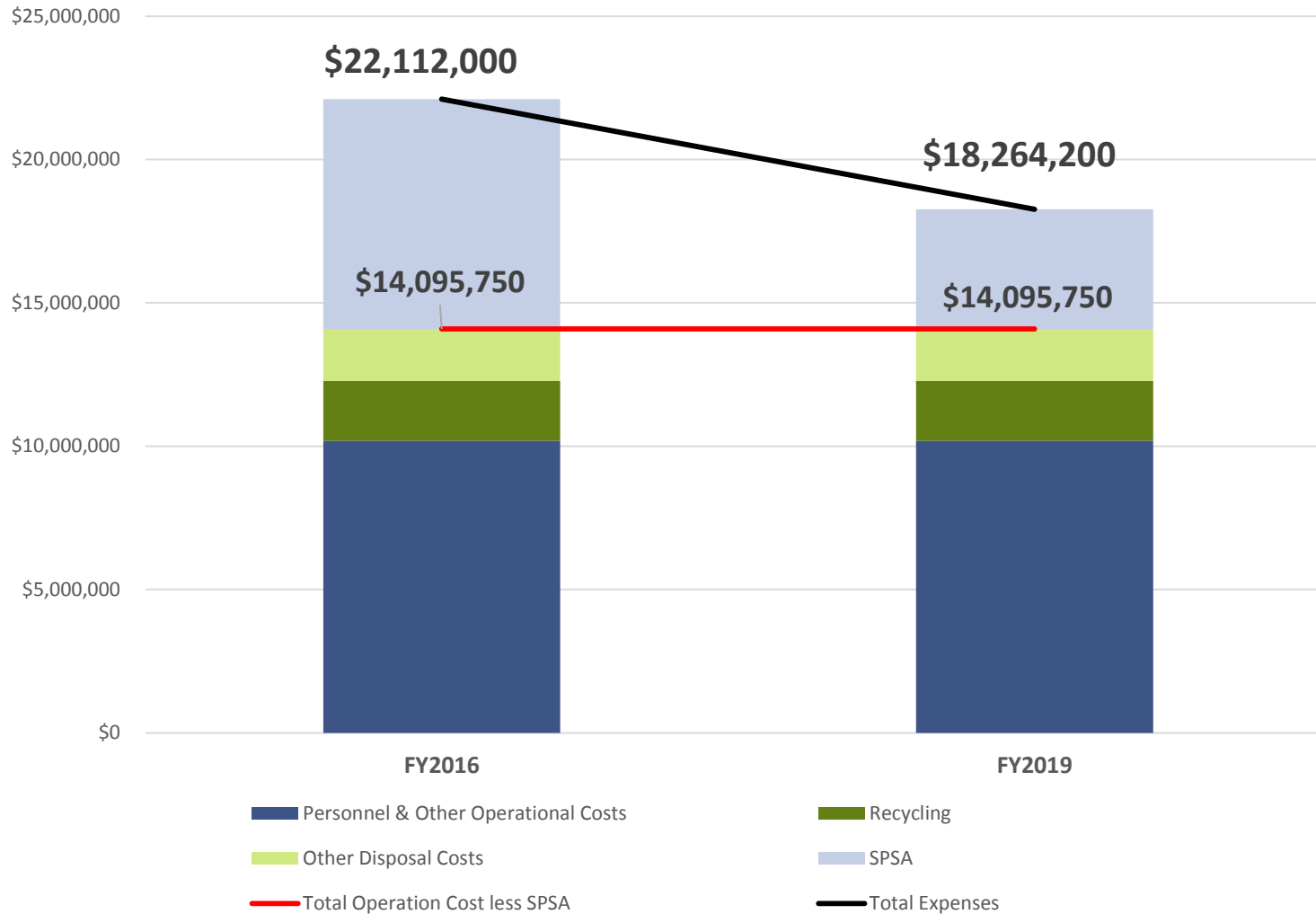


Waste Supply and Service Agreement Terms

- Annual Residual Waste Disposal Fee – paid by RePower South to SPSA
 - Flat fee based on 30% of MSW delivered to RePower South
 - Paid monthly
- Excess residuals > 38.5% of MSW must be taken to non-SPSA landfill
- Diverted waste taken directly to landfill
 - > 10% taken to non-SPSA landfill
 - RePower South pays SPSA disposal & transportation costs
 - Penalty fee of 125% for excessive diversions
- Non-Processable Waste (NPW) – SPSA sorts, transports to SPSA landfill, except western communities (\$5/ton paid to RePower South to sort)



Waste Management Budget Impact



Waste Management Residential Average Monthly Rate Scenario FY2019

